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EXECUTIVE COMMITTEE OF
THE MULTILATERAL FUND FOR THE
IMPLEMENTATION OF THE MONTREAL PROTOCOL
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Montreal, 18-22 June 2018

PROJECT PROPOSAL: GEORGIA

This document consists of the comments and recommendation of the Secretariat on the following project proposal:

Phase-out

- HCFC phase-out management plan (stage I, third tranche)

UNDP

PROJECT EVALUATION SHEET – MULTI-YEAR PROJECTS
Georgia

(I) PROJECT TITLE	AGENCY	MEETING APPROVED	CONTROL MEASURE
HCFC phase out plan (Stage I)	UNDP	63 rd	35% by 2020

(II) LATEST ARTICLE 7 DATA (Annex C Group I)	Year: 2017	2.1 (ODP tonnes)
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(III) LATEST COUNTRY PROGRAMME SECTORAL DATA (ODP tonnes)								Year: 2017	
Chemical	Aerosol	Foam	Fire fighting	Refrigeration		Solvent	Process agent	Lab use	Total sector consumption
				Manufacturing	Servicing				
HCFC					2.1				2.1

(IV) CONSUMPTION DATA (ODP tonnes)			
2009 - 2010 baseline:	5.3	Starting point for sustained aggregate reductions:	5.33
CONSUMPTION ELIGIBLE FOR FUNDING (ODP tonnes)			
Already approved:	2.33	Remaining:	3.00

(V) BUSINESS PLAN		2017	2018	2019	2020	Total
UNDP	ODS phase-out (ODP tonnes)	0.6	0.0	0.0	0.1	.07
	Funding (US \$)	128,355	0	0	33,863	162,218

(VI) PROJECT DATA			2011	2012	2013	2014	2015	2016	2017	2018*	2019	2020	Total
Montreal Protocol consumption limits			n/a	n/a	5.3	5.3	4.8	4.8	4.8	4.8	4.8	3.5	n/a
Maximum allowable consumption (ODP tonnes)			n/a	n/a	5.33	5.33	4.79	4.14	4.14	4.14	4.14	3.00	n/a
Agreed funding (US \$)	UNDP	Project costs	200,000			150,000			119,400			31,500	500,900
		Support costs	15,000			11,250			8,955			2,363	37,568
Funds approved by ExCom (US \$)		Project costs	200,000			150,000							350,000
		Support costs	15,000			11,250							26,250
Total funds requested for approval at this meeting (US \$)		Project costs								119,400			119,400
		Support costs								8,955			8,955

*The third tranche should have been submitted in 2017

Secretariat's recommendation:	For blanket approval
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PROJECT DESCRIPTION

1. On behalf of the Government of Georgia, UNDP as the designated implementing agency, has submitted a request for funding for the third tranche of stage I of the HCFC phase-out management plan (HPMP), at the amount of US \$119,400, plus agency support costs of US \$8,955.¹ The submission includes a progress report on the implementation of the second tranche, the verification report on HCFC consumption between 2013 and 2015, and the tranche implementation plan for 2018 to 2020.

Report on HCFC consumption

2. The Government of Georgia reported a consumption of 2.1 ODP tonnes of HCFC in 2017, which is 60 per cent below the HCFC baseline for compliance. The 2013-2017 HCFC consumption is shown in Table 1.

Table 1. HCFC consumption in Georgia (2013-2017 Article 7 data)

HCFC	2013	2014	2015	2016	2017	Baseline
Metric tonnes						
HCFC-22	25.10	22.30	30.60	25.20	38.20	83.1
HCFC-142b	0.00	0.00	0.00	0.00	0.00	9.9
Total (mt)	25.10	22.30	30.06	25.20	38.20	93.0
ODP tonnes						
HCFC-22	1.38	1.23	1.68	1.39	2.10	4.6
HCFC-142b	0.00	0.00	0.00	0.00	0.00	0.6
Total (ODP tonnes)	1.38	1.23	1.68	1.39	2.10	5.2

3. HCFC-22 is used in the servicing and maintenance of refrigeration and air-conditioning (RAC) equipment, and mobile units. Since the implementation of the HPMP in 2011, consumption has been decreasing with some fluctuations between 2013 and 2017. The steep increase between 2016 and 2017 was due to the gradual exhaustion of HCFC-22 stockpiled prior to the freeze in consumption in 2013. In 2017, HCFC consumption was expected to be higher, with the import quota established at 66.48 mt. However, one importer with a permit failed to import an allocation of 20 mt, with the result that total imports were lower than originally expected. In 2018, the same importer requested a higher allocation to make up for the quota lost in 2017, but the country's quota system does not allow a quota roll over.

Country programme (CP) implementation report

4. The Government of Georgia reported HCFC sector consumption data under the 2017 CP implementation report, which is consistent with the data reported under Article 7 of the Montreal Protocol.

Verification report

5. The verification report covered the period 2013-2015. It indicated that in 2013, HCFCs were imported without quotas, and it was therefore, not possible to obtain precise quantities of ODS imported into the country. However, this situation has been rectified, with the Government implementing since 2014 its licensing and quota system, and the country is in full compliance with its Montreal Protocol obligations, and the HCFC phase-out schedule.

¹ As per the letter of 3 May 2018 from the Ministry of Environmental Protection and Agriculture of Georgia to the Secretariat.

Progress report on the implementation of the second tranche of the HPMP

Legal framework

6. The country has a framework Law on Environmental Protection, which enshrined provisions for the protection of the ozone layer. In 2014, the Government amended the ODS import-export legislation, introducing the HCFC quota system. In April 2016, new amendments were introduced in laws on Environmental Protection, Atmospheric Air Protection, Licenses and Permits and Royalties to *inter alia* strengthen ODS import-export regulations; establish administrative sanctions in relation to violation of existing regulations on ODSs; and regulatory requirements for certification of technicians in the RAC sector.

7. As of 1 January 2018, only certified RAC and heat pump service technicians are authorized to perform their duties and the certification is valid for a three-year period; the Ministry of Environment and Natural Resources Protection has been designated the certifying body; and mandatory compliance with National Standard on Safety and Environment Requirements for RAC and Heat Pump Servicing for all RAC and heat pumps service technicians.

Refrigeration servicing sector

8. The main activities carried out include:

- (a) **Policy, regulatory and institutional support:** The Government strengthened the country's technical regulation on ODS import, export, re-export and transit permit, and allocation of annual import quotas; strengthened, effective 2018, regulations for RAC sectors through enacting registration, strengthened, effective 2019, reporting requirements for owners of three or more kilogrammes of refrigerants, and issued regulations for mandatory certification of RAC servicing technicians to increase the number of qualified refrigeration technicians. In addition, the Government revised the country's administrative proceedings code, introducing penalties for violation of ODS laws and regulations;
- (b) **Training, capacity-building and awareness:** Over 90 customs officers were trained in ODS import-export control, and five customs officers received training of trainers; about 250 RAC service technicians were trained in good servicing practices, focusing on safety, technical and environmental aspects of servicing; refrigerant identifiers/analysers were provided to the Customs department; and posters and ODS import-export control brochures were published and distributed to customs officers;
- (c) **Technical assistance to support good servicing practices in the refrigeration sector:** A complete set of tools and devices (e.g. double-stage vacuum pumps; portable leak detectors, and servicing tools, and multi-use refrigerant charging cylinders) for servicing the RAC systems was purchased and provided to a local servicing company to improve quality of its servicing practices;
- (d) **Demonstration project for the use of natural refrigerants through replacements of HCFC-22 air-conditioning systems by ammonia-based equipment.** Multiple efforts were made to implement the demonstration project at a major library and a television broadcaster, and in a supermarket (through replacement of cooling and freezing sales cabinets by plug-in hydrocarbon-based units). However, the earmarked budgetary allocations were insufficient to cover costs, and counterpart funding from the end-could not be secured. Therefore, it was decided to defer the demonstration project to the third tranche when additional funds would be available; and

- (e) Technical assistance in the solvent sector: Since the second tranche, the use of HCFC-142b was largely discontinued due to the completion of the demonstration project to provide HCFC-free dry cleaning machines to two enterprises with a phase-out of 0.72 ODP tonnes. New equipment operating on ozone-safe solvents was provided free-of-charge for the two enterprises in Tbilisi and Rustavi.

Project implementation and monitoring unit (PMU)

9. The Ministry of Environmental Protection and Agriculture (MEPA) implements the HPMP with its National Ozone Unit responsible for the coordination of all Multilateral Fund supported activities. The Government is supported by the project implementation team comprised different stakeholders.

Level of fund disbursement

10. As of May 2018, of the US \$350,000 approved so far, US \$295,536 had been disbursed as shown in Table 2. The balance of US \$54,464 will be disbursed in 2018-2020.

Table 2. Financial report of stage I of the HPMP for Georgia (US \$)

Agency	First tranche		Second tranche		Total approved	
	Approved	Disbursed	Approved	Disbursed	Approved	Disbursed
UNDP	200,000	200,000	150,000	95,536	350,000	295,536
Disbursement rate (%)	100		64		84	

Implementation plan for the third tranche of the HPMP

11. The following activities will be implemented between July 2018 and December 2020:
- Training of four customs officers and two environmental inspectors on the use of refrigerant identifiers/analyzers, training of trainers on ODS handling, and procurement and distribution of refrigerant identifiers/analyzers and leak detectors (US \$31,000);
 - Technical assistance and support on good servicing practices in the refrigeration sector through the upgrading of servicing equipment, including vacuum pumps, manifolds, gauges, standard hoses, portable leak detectors, and servicing tools (US \$12,000);
 - Demonstration project for the use of natural refrigerants through replacements of HCFC-22 RAC equipment. Project design and procurement of alternative refrigerants (e.g., CO₂, ammonia, or other low-low global warming (GWP) refrigerants available in the local market), focusing on two end-users, namely large/network of supermarkets, and small vegetable storage refrigerators across the country. Two training workshops for technical personnel of end-users on how to operate new equipment, and for certified technicians on specifics of new technology, including safety measures and standards (US \$44,400 plus US \$34,762 remaining from the second tranche);
 - An awareness raising workshop on the banning of the use of HCFC-142b in the solvent sector and the sustainability of alternatives and the safety aspects related to their application (use of HCFC-142b has been discontinued) (US \$10,000 plus US \$9,057 remaining from the second tranche); and
 - Coordination and management of HPMP implementation (US \$22,000 plus US \$10,645 remaining from the second tranche).

SECRETARIAT'S COMMENTS AND RECOMMENDATION

COMMENTS

Verification report

12. The verification report covered only the period between 2013 and 2015. UNDP explained that the report had originally been prepared for submission in 2017, but was delayed when the tranche request submission was held back for 2018. UNDP indicated that the Government was committed to resubmitting by June 2018 a revised verification report pursuant to decision 72/19(a)² to include data for the years 2016 and 2017.

Progress report on the implementation of the second tranche of the HPMP

Legal framework

13. The Government of Georgia has already issued HCFC import quotas for 2018 at 3.43 ODP tonnes, which is lower than the Montreal Protocol targets.

Refrigeration servicing sector

14. UNDP indicated that industry was reluctant to adopt low-GWP and energy-efficient alternatives because of higher costs. The main approach would be to break negative perceptions of low-GWP refrigerants by using concrete technological examples. A detailed feasibility study under the demonstration project would be implemented in order to facilitate the complete replacement of old HCFC-22 equipment with ammonia-based technology.

Conclusion

15. Georgia is making progress in implementing its stage I HPMP despite the delay in completing second tranche activities, and is in compliance with the Montreal Protocol and its Agreement with the Executive Committee. The country's verification report confirmed the licensing and quota system is operational since 2014, and it was further strengthened by, effective 2018, registration requirement for owners of 3 kg or more ODS, and making certification of RAC servicing technicians mandatory. The disbursement of funds approved so far has reached 84 per cent. Both the progress report on activities undertaken as well as the planned activities suggest that the country is addressing and will achieve its HCFC phase-out objectives.

RECOMMENDATION

16. The Fund Secretariat recommends that the Executive Committee takes note of the progress report on the implementation of the second tranche of stage I of the HCFC phase-out management plan of (HPMP) for Georgia; and further recommends blanket approval of the third tranche of stage I of the HPMP for Georgia, and the corresponding 2018-2020 tranche implementation plan at the funding level shown in the table below, on the understanding:

- (a) That an updated verification report to include 2016 and 2017 consumption data would be submitted by June 2018;

² To encourage lead bilateral and implementing agencies submitting HPMP tranche requests to the first meeting of the year to include a verification report of national consumption targets for the year immediately preceding the year during which the tranche was submitted.

- (b) That Georgia had consumption in the servicing sector only;
- (c) That the financial incentive scheme would enhance the sustainability of the training of servicing technicians, and that end-users would provide co-financing to participate in the scheme.

	Project title	Project funding (US \$)	Support cost (US \$)	Implementing agency
(a)	HCFC phase-out management plan (stage I, third tranche)	119,400	8,955	UNDP